45260   SERVICE DATE – JUNE 24, 2016
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SURFACE TRANSPORTATION BOARD

DECISION

Docket No. MCF 21067

PRISONER TRANSPORTATION SERVICES, LLC—CONTROL— U.S. CORRECTIONS, LLC D/B/A USC

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction.

SUMMARY: On May 26, 2016, Prisoner Transportation Services, LLC (Applicant) filed an application under 49 U.S.C. § 14303 so that it can acquire common control of U.S. Corrections, LLC (USC). The Board is tentatively approving and authorizing the transaction, and, if no opposing comments are timely filed, this notice will be the final Board action. Persons wishing to oppose the application must follow the rules at 49 C.F.R. §§ 1182.5 and 1182.8.

DATES: Comments must be filed by August 8, 2016. Applicant may file a reply by August 23, 2016. If no comments are filed by August 8, 2016, this notice shall be effective on August 9, 2016.

ADDRESSES: Send an original and 10 copies of any comments referring to Docket No. MCF 21067 to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, send one copy of comments to Applicant's representative: Henry E. Seaton, Esq., Law Office of Seaton & Husk, L.P., 2240 Gallows Road, Vienna, VA 22182.

FOR FURTHER INFORMATION CONTACT: Amy Ziehm (202) 245-0391. Federal Information Relay Service (FIRS) for the hearing impaired: 1-800-877-8339.

SUPPLEMENTARY INFORMATION: Applicant states that it is a limited liability company under the laws of Tennessee and that it owns and operates two interstate motor carriers: PTS of America, LLC (PTS) (MC-689407) and Brevard Extraditions, Inc. d/b/a/ US Prisoner Transport (USPT) (MC-643115). Prisoner Transp. Servs., LLC—Control—PTS of Am., LLC, MCF 21064 (STB served Nov. 27, 2015) (granting Applicant's request to acquire common control of PTS and USPT). Applicant states that it provides a specialized type of for-hire interstate passenger carriage service through its affiliates, which transport incarcerated prisoners, including convicts, parole jumpers, and individuals under criminal indictment who have escaped to foreign jurisdictions, for state and local prisons, correctional facilities, and sheriff's departments. Applicant states that, under its affiliates, it currently operates 33 vehicles, including three passenger buses; four specially designed transporters suitable for the transportation of as many as 25 inmates and four guards; and 26 vans suitable for the transportation of up to 12 inmates and up to two drivers or guards. Applicant states that four individuals currently have controlling interest: Alan Sielbeck (38.5%), Kent Wood (31.5%), Robert Downs (24%), and Lisa Kyle (6%).

Applicant states that USC is a limited liability company established under the laws of North Carolina and holds authority from the Federal Motor Carrier Safety Administration (FMCSA) as a motor carrier of passengers (MC-872586). According to Applicant, USC is engaged in the same specialized type of interstate transportation of passengers by motor carrier as Applicant, operating specially equipped van and bus equipment suitable for the transportation of prisoners and complies with the Interstate Transportation of Dangerous Criminals Act. Applicant states that USC operates 12 vans that can hold up to 14 passengers. Applicant states that USC is currently owned by Steve Jacques (50%), Ashley Jacques (25%), and Dustin Baldwin (25%).

According to Applicant, if Board approval is granted, USC would join it in providing specialized transportation focused on the recovery and extradition of prisoners from jails and detention facilities in one state and delivery to points of incarceration in interstate commerce under guard, using both air-ex and passenger motor carrier service based upon attractive contract rates.

Applicant explains that under the proposed transaction, the owners of USC would transfer their complete interest in USC to Applicant and receive a shareholder's interest in Applicant in return. Applicant states that its combined member and membership interest of would be as follows once the transfer is complete: Alan Sielbeck (32.7%), Kent Wood (26.8%), Robert Downs (20.4%), Lisa Kyle (5.1%), Steve Jacques (7.5%), Dustin Baldwin (3.75%), and Ashley Jacques (3.75%). Applicant would acquire all the interest in USC, and USC would join Applicant as one of its affiliate carriers. The current owners of USC would retain indirect control of USC and acquire indirect control of the affiliate carriers already under Applicant. Applicant would acquire indirect control of USC and retain indirect control of its affiliated entities.

Under 49 U.S.C. § 14303(b), the Board must approve and authorize a transaction that it finds consistent with the public interest, taking into consideration at least: (1) the effect of the proposed transaction on the adequacy of transportation to the public; (2) the total fixed charges that result; and (3) the interest of affected carrier employees. Applicant submitted information, as required by 49 C.F.R. § 1182.2, including information to demonstrate that the proposed transaction is consistent with the public interest under 49 U.S.C. § 14303(b), and a statement that the aggregate gross operating revenues of Applicant and USC exceeded $2 million for the preceding 12-month period, see 49 U.S.C. § 14303(g).[1]

Applicant submits that the proposed transaction would have no significant impact on the adequacy of transportation services to the public. Rather, Applicant anticipates that common control of the carriers would result in more efficient and timely transportation. By combining the

[1] Applicants with gross operating revenues exceeding $2 million are required to meet the requirements of 49 C.F.R. § 1182.

pickup and delivery schedules of both companies, Applicant states, detainees scheduled for pickup could be booked more expeditiously on the nearest available bus or transporter, regardless of whether the vehicle is operated by one of its existing affiliates or USC.

Applicant notes that USC brings with it a higher degree of operational skill and experience in a unique and specialized marketplace. Applicant says that USC's leadership team will become high-ranking members of its leadership team. According to Applicant, USC has developed custom-designed, specialized software that Applicant intends to use across its affiliates that will significantly increase the organization's efficiency and effectiveness.

Applicant also notes that consolidation would permit vehicle sharing arrangements, coordinated driver training, and safety management and load sharing arrangements. Applicant claims that it is time intensive and expensive to increase the size of a fleet due to the necessary aftermarket customization of the vehicles, and this transaction would improve its fleet and provide it with more flexibility. It further claims that consolidation would allow for the centralization of various management support functions such as vehicle licensing, legal affairs, accounting, human resources, purchasing, and environmental compliance.

Applicant claims that the proposed transaction would not have any adverse competitive effect on any portion of the passenger transportation industry. Applicant states that the vast majority of prisoners and detainees are transported by U.S. Marshals, state law enforcement officers, sheriffs, deputies, or local police officers. Furthermore, Applicant states, other for-hire carriers are also in the national marketplace. In total, after consummation, Applicant asserts that the combined operation would constitute less than five percent of the population being transported.

According to Applicant, competitors would not be adversely affected by the transaction, because prisoner extradition services are provided based upon open competition among qualified service providers. Applicant also states that there is nothing to preclude existing carriers from expanding their routes, rates and services, and nothing to keep well capitalized new entrants from entering the market at any time.

With respect to fixed charges, Applicant believes that assuming control of USC would generate greater economies of scale, which would reduce the variety of unit costs now being incurred to operate these carriers under separate ownership. Additionally, Applicant states that the combined carriers should be able to enhance their volume purchasing power, thereby reducing insurance premiums and achieving deeper discounts for equipment and fuel.

Applicant also claims that affected employees would benefit from the transaction. It says that employees would maintain job security, would retain or expand the volume of available work, and would have an increased opportunity to schedule shorter tours of duty, resulting in less time away from their home base.

On the basis of the application, the Board finds that the proposed acquisition is consistent with the public interest and should be tentatively approved and authorized. If any opposing comments are timely filed, these findings will be deemed vacated, and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the application. See 49 C.F.R. § 1182.6(c). If no opposing comments are filed by the expiration of the comment period, this notice will take effect automatically and will be the final Board action.

Board decisions and notices are available on our website at "WWW.STB.DOT.GOV".

It is ordered:

1. The proposed transaction is approved and authorized, subject to the filing of opposing comments.

2. If opposing comments are timely filed, the findings made in this notice will be deemed vacated.

3. This notice will be effective August 9, 2016, unless opposing comments are filed by August 8, 2016.

4. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue, S.E., Washington, DC 20590; (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; and (3) the U.S. Department of Transportation, Office of the General Counsel, 1200 New Jersey Avenue, S.E., Washington, DC 20590.

Decided: June 20, 2016.

By the Board, Chairman Elliott, Vice Chairman Miller, and Commissioner Begeman.